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Indiana Economic Development Corporation

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Steve Lucas
Director
Indiana Natural Resources Commission

Dear Mr. Lucas:

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis for small business associated with rule changes proposed by the Indiana Department of Natural Resources ("DNR") and contained in LSA Document 08-413. The proposed rule amends 312 IAC 18-3-18 concerning the quarantine and regulation of the spread of the emerald ash borer. The DNR estimates that there are 1,260 small businesses that will be affected by the rule. These businesses include: nurseries/nursery dealers (834), arborists (22), campgrounds (82), primary and secondary sawmills (274), and logging companies (48).

Costs occurring as a result of the rule include the time spent to apply and meet the guidelines that are set by the compliance agreement approved by the DNR. Although the agreement will be created and processed by the DNR, it is estimated that each affected small business will incur a cost of 0.5 man days to complete the paperwork to initiate the compliance agreement.

Nurseries will need to ensure that they keep accurate records of the recipients of ash tree stock being sold within the quarantined townships, ensuring that the trees do not leave the quarantined township. There is no anticipated cost for the nurseries to maintain records of the sale of ash trees. Costs incurred by sawmills and logging companies involve managing the new recording and reporting requirements. It is estimated that these businesses will spend approximately 0.5 man days per month to comply with the requirements of the rule. Assuming that the average employee earns fifteen dollars (\$15) per hour, the DNR estimates that the annual reporting and record keeping costs to each small business would be \$720 per year. Arborists will also need to have compliance agreements in place and record exactly how and where ash materials are disposed of. Industry chippers under compliance agreements with DNR are responsible for keeping records for routine maintenance. The time required to complete the necessary paperwork is estimated to be less than six (6) man days per year. The DNR assumes that the average employee earns fifteen dollars (\$15) per hour, so the annual reporting and record keeping costs to each arborist would be \$720.00 per year. The costs incurred by campgrounds includes firewood management which includes training staff to ask campers if they brought firewood, exchanging firewood with campers if they brought firewood, and the collection and burning of firewood left at campsites. These administrative costs are not the result of the quarantine but the result of Emerald Ash Borer presence near their campground. Thus there is no anticipated record keeping or administrative cost for

campgrounds. Firewood producers that move regulated materials outside of the quarantined areas would require a compliance agreement. According to DNR there are only two firewood producers in the quarantined area. The administrative costs for firewood producers in the quarantined areas are estimated be the same as sawmill/logging companies.

There is further impact to the small businesses that are in the quarantined area. Nurseries and nursery dealers in quarantined townships will most likely stop sale of ash seedlings or trees due the emerald ash borer's impact on the market. The trees can not be sold and moved outside the quarantined area because the only method to certify the tree free of the emerald ash borer would kill the tree. The economic impact to each of these small businesses in loss of revenue will be determined by how much ash material each business currently has in stock. The wholesale price of a two (2) inch caliper ash tree is approximately one hundred and ten (\$110.00) dollars. Each tree may be sold for approximately one hundred and seventy five (\$175.00) dollars at retail. Thus, the total annual economic impact may be a few hundred dollars to several thousand dollars from the loss of ash trees not sold and removed from inventory. The impact of the emerald ash borer and the USDA/APHIS quarantine, which was instituted in 2006, has reduced if not completely eliminated the sale of ash trees in Indiana. Once the ash trees are removed, the nursery will have no further impact from the quarantine, and will not have any economic impact to comply with the quarantine.

Primary sawmills, those that process logs into sawn lumber, pose a risk for spreading emerald ash borer from an infested forest. Secondary sawmills pose less of threat as these sawmills typically handle sawed lumber or other material that has already been mitigated in a manner that would decrease the likelihood of spreading emerald ash borer. Logging companies and timber buyers also pose a threat of spreading the emerald ash borer by moving infested trees. The economic impact to these small businesses would only apply if the small business in question handles ash material.

The economic impact to sawmills, logging companies and timber buyers involves additions and changes to the business operation to comply with the quarantine. These changes include the transportation of logs from forest to sawmill, and cutting the wood in a expedited manner to comply with the quarantine. Making these changes may result in additional operating costs for small businesses. As part of the quarantine, during the summer, ash logs must be moved in completely enclosed vehicles to prevent further spreading. Sawmills and loggers may choose not to handle ash during the summer season. The annual cost per business to comply is expected to be minimal. DNR estimates the cost to be \$720 a year, which does not include impacts for businesses who choose not to handle ash.

For arborists, it is estimated that the economic impact will occur through additional handling and hauling of regulated ash material, as well as the mitigation and disposal of ash material. The costs may be passed on to the consumer or they may be absorbed through the sale of mitigated ash material. The DNR Division of Entomology and Plant Pathology has recently instituted a program to assist arborist and the chipper

industry with compliance. The program certifies the chipper once a year with the business having a one time cost of 0.5 man day per crew of two employees. With an estimated hourly wage at fifteen dollars (\$15.00) per crew member, the estimated cost to small business per chipper would be one hundred and twenty dollars (\$120.00) per chipper. By placing the chippers under compliance agreements for up to a year and monitoring the effectiveness of the chipper in question, the DNR is able to ensure compliance with the rule and materials chipped by these chippers are deregulated prior to exiting quarantined areas. The annual economic impact per arborist business is expected to be minimal, approximately \$840 per year. This includes the cost of having each business' chippers under a compliance agreement for mitigation of regulated articles.

For campgrounds the economic impact is expected to be minimal. Few campgrounds will likely ask for compliance agreements to transport firewood and it is not a major source of revenue. It will be at the campground's discretion as to whether firewood will be allowed to be imported from other counties. A ramification to campgrounds may be a small loss in business due to some customers not visiting if they are not allowed bring their own firewood. Finally, campgrounds that sell firewood, typically import firewood from surrounding areas that will most likely be under the same quarantine level.

For firewood producers the economic impact involves changes to business operations to comply with quarantine requirements. This includes ensuring that regulated material is not being moved outside of quarantined areas without mitigation. The annual economic impact to comply is estimated to be minimal.

As stated above nurseries, nursery dealers and campgrounds will not be impacted directly by the imposition of this rule. Nurseries and dealers have already been impacted by the imposition of the federal quarantine instated by the United States Department of Agriculture Animal and Plant Health Inspection Service and are most heavily impacted by consumer awareness of the emerald ash borer and the possibility and probability of this invasive species infesting trees in Indiana. Campgrounds will not be economically impacted directly by the rule, but restricting movement of firewood into their private forests may result in loss of revenue. If any economic impact would occur to private campgrounds, it would be in the form of lost business if customers refuse to camp where they could not bring their own firewood. Sawmills (primary and secondary), logging companies, timber buyers, and arborists will be impacted only if they utilize regulated ash material. Considering the federal and state quarantines, many companies may decide to stop using these materials in favor of non-quarantined materials. The total potential economic impact to all small businesses in the quarantined area is \$250,320.00. This analysis is based on the assumption that every small business in the quarantined area would require a compliance agreement and utilize regulated materials. It is the opinion of the DNR that only one half to three quarters of the small businesses analyzed in the proposed quarantine area would require a compliance agreement which would significantly reduce potential economic impact to small businesses in the quarantined area.

This rule is made to comply with a directive from the United States Department of Agriculture. Although the cost associated with complying with the rule is significant, the rule is necessary to ensure that the ash tree population does not continue to deteriorate. The impact statement notes that the rule only impacts those businesses that choose to handle the regulated material. Those that choose not to handle ash trees or ash tree products will not be impacted. The statement also explains that costs to businesses to comply with the rule for those that choose to handle regulated material are nominal. Additionally, the cost associated with the continued spread of the emerald ash borer is likely to be greater than the costs associated with the rule. The IEDC does not object to the economic impact to small businesses associated with the proposed rule.

If you have any questions about the comments contained herein please contact me at 232-8962 or rasberry@iedc.in.gov.

Regards,

A handwritten signature in black ink, appearing to read 'Ryan Asberry', with a stylized flourish at the end.

Ryan Asberry
Assistant Vice President